

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Guidelines for Review of Cities' Redevelopment Projects

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PURPOSE

To define the County's position when responding to redevelopment projects initiated by cities.

Background

Section 33000 et seq. of the California Health and Safety Code, commonly known as the Community Redevelopment Law allows cities and counties to establish redevelopment agencies and to adopt redevelopment plans for blighted areas and for military bases ordered to be closed by the Federal Base Closure Commission. Typically, a redevelopment plan allows a redevelopment agency to use tax increment financing for improvements within the project area which are intended to alleviate conditions of blight or economic and social degradation. Tax increment is the growth in property tax revenue above the amount collected during the year that the redevelopment project is established (the project's base year). When a redevelopment plan is approved, the property tax base is frozen. The various taxing agencies that were receiving shares of the property tax continue to receive the frozen dollar amount. As the assessed valuation of the project area increases due to new construction and the turnover of properties, the additional property tax revenue generated is collected by the redevelopment agency.

From 1983 until December 31, 1993, the County reviewed cities' redevelopment proposals with the intent of negotiating agreements to reduce or eliminate any adverse fiscal impacts on the General Fund and County Library, and entered into agreements with eleven jurisdictions.

The community Redevelopment Law Reform Act of 1993 (AB 1290), which became effective January 1, 1994, was enacted to prevent abuses of the Redevelopment Law by public agencies. The major provisions of the 1993 Law which relate to negotiations between the County and a redevelopment agency, are: 1) elimination of the ability of a redevelopment agency to negotiate agreements for sharing tax increment revenue with affected taxing entities such as the County; 2) replacement of the case-by-case negotiating process with a statutory tax increment sharing formula for all redevelopment projects established on or after January 1, 1994; 3) elimination of the definition of financial burden or detriment; and 4) elimination of the requirement that a redevelopment plan adoption ordinance contain a finding that the redevelopment project will not cause a significant financial burden or detriment to any affected taxing entity, except for military base conversions under Chapter 4.5, Section 33492.29, of the Community Redevelopment Law.

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State law requires a redevelopment agency to analyze the fiscal impact of a proposed project on any affected taxing agencies, and provides an opportunity for an affected taxing agency such as the County to comment on the agency's plan and Draft Environmental Impact Report, and to be consulted regarding the plan and allocation of taxes.

Policy

It is the policy of the Board of Supervisors that the review of redevelopment activities initiated by cities shall be conducted in accordance with the following policies:

General

1. The County will support legitimate uses of the redevelopment process to address serious physical and economic blight in urbanized areas of a city, and will oppose the use of tax increment financing for maintenance of public facilities or public improvements which are normal city responsibilities or part of a city's planned capital improvement program which would otherwise be financed from the city general fund or sources other than tax increment.

2. When reviewing cities' redevelopment projects, the County will balance its commitment to activities and programs which contribute to a healthy regional economy with its responsibility to ensure sufficient fiscal resources to enable the County to provide local services to the residents of the unincorporated area and regional services to all residents of the County.

3. The County will review new redevelopment projects and amendments to existing projects on a case-by-case basis. In analyzing the validity of a redevelopment project, the following factors should be considered, along with any others that may be relevant to the project in question:

- a. Size of the proposed project area;
- b. Life of the redevelopment plan;
- c. Conditions of blight and urbanization;
- d. Proposed redevelopment implementation programs, including the degree of specificity or flexibility of the programs;

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- e. Anticipated phasing of improvements and related need for up-front revenue;
- f. Feasibility and likelihood of project success;
- g. Availability of options other than redevelopment to solve problems the project proposes to address; and
- h. Conformance to the spirit and intent of the Community Redevelopment Law.

4.The County may seek to negotiate project changes that would reduce adverse impacts to the County's General Fund and/or enhance the merits of a project. Such changes could include: adjustments to the project's size, uses, density, location, duration, and, in the case of a plan amendment proposal, tax increment dollar limitations for projects proposing an increase in the amount of dollars to be allocated to the agency.

5.The County should periodically review and evaluate the progress made by the agency in implementing the redevelopment plan.

Financial Provisions

6.Pursuant to Health and Safety Code Section 33607.5, the County shall receive statutory amounts of its share of tax increment. In the event that an agreement for cooperation exists, the county shall receive the pass-through stated in the terms of the agreement.

7.Pursuant to Health and Safety Code Section 33676, the County shall:

- a. Receive its full share of any tax increment attributable to future increases in the property tax rate imposed for the County's benefit, and incremental revenue attributable to the difference between the original base year and the year in which the project is amended to add tax increment financing.
- b. Adopt a resolution, prior to the adoption of a new redevelopment plan after January 1, 1994, providing for tax increment financing, to receive its full share of any tax increment attributable to tax rate increases imposed for the County's benefit.
- c. Adopt a resolution, prior to the adoption of an amendment to an existing redevelopment plan to add tax increment financing or in the absence of a tax-sharing agreement that addresses the distribution of increment from amendments, to receive

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incremental revenue attributable to the difference between the original base year and the year in which the project is amended to add tax increment financing.

d. Transmit such resolution prior to the adoption of the redevelopment plan and/or amendment to the affected legislative body and agency, and to the Chief Financial Officer of the County.

8. The County may consider, when feasible, alternative forms of participation by an agency (e.g., construction of facilities or improvements for County use or benefit) that also promote the objectives of the redevelopment project. Determination of the potential benefit to the County from capital facilities or improvements shall take into consideration the County's ability to finance their ongoing maintenance and operation.

9. Any redevelopment agreement shall provide for the County to receive a full pass-through of its share of tax increment from any future amendments to the redevelopment plan which is the subject of the agreement.

10. The County may agree to defer receipt of tax increment if a determination is made that the County's share of the increment is necessary to the initial success of a project, and the agency agrees to repay, with interest, the amount deferred.

11. Pursuant to Health and Safety Code Section 33607, the redevelopment agency shall fully reimburse the Auditor's annual costs for accounting and distribution of tax increments to the agency.

12. Pursuant to Health and Safety Code Section 33607.5, the County may disapprove a request by the redevelopment agency to subordinate to the loans, bonds or other indebtedness the amount required to be paid to the County, if it finds, based on substantial evidence, that the agency will not be able to pay the amount to the County.

Housing

13. Under State law requirements for a redevelopment agency's set aside of funds for low-and moderate-income housing, the County may seek a cooperative agreement with the redevelopment agency for such funds to be allocated to and administered by the County Housing Authority on the agency's behalf.

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14. Under such agreements, the County Housing Authority may provide services within the redevelopment agency's territorial jurisdiction or elsewhere to the extent permitted by the California Redevelopment Law.

Military Base Conversions

15. When Chapter 4.5 of California Community Redevelopment Law is utilized in adopting redevelopment plans relating to military base conversions, the County shall evaluate carefully the evidence contained in an ordinance adopting a redevelopment plan for a military base project area supporting a finding, pursuant to Health and Safety Code Section 33492.29, that the effect of tax increment financing will not cause a significant financial burden or detriment on the County.

Legal Actions

16. Pursuant to Health and Safety Code Sections 33500 and 33501, the County may challenge the adoption or amendment of a redevelopment plan within 60 days of the date of adoption of the ordinance adopting or amending the plan on the basis of, but not limited to, the following: the legality and validity of all proceedings, the selection of the project area, the formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized.

Sunset date:

This policy will be reviewed for continuance by 12-31-01.

Board Action:

3-14-89 (36)

9-24-96 (12)